

# Summary of Business Results for the Third Quarter Ended March 31, 2022 [Japan GAAP] (Consolidated)

May 13, 2022

Company **Digital Information Technologies Corporation** Listed on the TSE  
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 Division  
 Expected date of filing of quarterly report: May 13, 2022  
 Expected starting date of dividend payment: -  
 Preparation of quarterly supplementary financial document: Yes  
 Quarterly results briefing: None

(Rounded down to million yen)

## 1. Consolidated business results for the nine months ended March 31, 2022 (July 1, 2021 through March 31, 2022)

### (1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the nine months ended								
March 31, 2022	11,940	10.2	1,608	7.8	1,618	8.1	1,128	9.0
March 31, 2021	10,837	6.1	1,492	25.9	1,496	25.8	1,035	25.6

(Note) Comprehensive income

Nine months ended March 31, 2022: 1,127 million yen (9.5%)

Nine months ended March 31, 2021: 1,029 million yen (24.1%)

	Net income per share	Diluted net income per share
For the nine months ended	Yen	Yen
March 31, 2022	74.01	-
March 31, 2021	67.93	-

(Note) Diluted net income per share is not presented because there are no dilutive shares.

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Million yen	Million yen	%
March 31, 2022	7,138	5,219	73.1
June 30, 2021	6,388	4,526	70.9

(Reference) Shareholders' equity

As of March 31, 2022: 5,219 million yen

As of June 30, 2021: 4,526 million yen

## 2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
For the fiscal year ended June 30, 2021	Yen	Yen	Yen	Yen	Yen
ending June 30, 2021	-	10.00	-	14.00	24.00
ending June 30, 2022	-	15.00	-	-	-
ending June 30, 2022 (forecast)	-	-	-	17.00	32.00

(Note) Revisions to dividend forecast for the current quarter: Yes

## 3. Forecast of consolidated business results for the fiscal year ending June 30, 2022 (July 1, 2021 through June 30, 2022)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the fiscal year ending June 30, 2022	16,000	10.8	2,000	16.1	2,000	15.6	1,387	16.0	91.00

(Note) Revisions to business forecast for the current quarter: Yes

**\*Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Application of accounting procedures specific to preparation of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates and restatement

- |  |        |
|--|--------|
| ① Changes in accounting policies associated with revision of accounting standards: | : Yes  |
| ② Changes in accounting policies other than ①                                      | : None |
| ③ Changes in accounting estimates  | : None |
| ④ Restatement  | : None |

(4) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of March 31, 2022 15,501,820 shares

As of June 30, 2021 15,501,820 shares

② Treasury stock at the end of period

As of March 31, 2022 253,551 shares

As of June 30, 2021 253,489 shares

③ Average number of stock during period (quarterly cumulative period)

Nine months ended March 31, 2022 15,248,303 shares

Nine months ended March 31, 2021 15,248,361 shares

(Note) The number of treasury stock to be deducted from the calculation of the number of treasury stock at the end of the period and the number of treasury stock during the period includes the Company's shares held by Custody Bank of Japan, Ltd. (Trust E-Account) as trust assets under the Employees' Benefit Trust (J-ESOP) Plan.

**\*Quarterly financial summary is not subject to quarterly auditing procedures by certified public accountants or auditing firms.**

**\*Explanation regarding appropriate use of business forecasts and other special instructions**

Forecasts regarding future performance in this material are based on information currently available to the Company and certain assumptions that the company deems to be reasonable at the time this report was prepared. The Company does not make promises about the achievements. Actual results may differ significantly from the forecasts due to various factors.

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## 1. Qualitative Information Regarding Consolidated Quarterly Business Results

### (1) Explanation of Business Results

During the subject third quarter cumulative period (July 1, 2021 to March 31, 2022), the business environment was further uncertain both domestically and overseas. Although the stricter COVID-19 measures were lifted nationwide, the impact of the infection remained. As for the overseas situation, Russia's invasion of Ukraine caused a sharp rise in resource prices, resulting in a stagnation of the global economy.

In the information service industry, to which our company belongs, it remained difficult to avoid the impact of the infection, although the degree of impact varies depending on the business portfolio including customer composition and other aspects. Even under these circumstances, according to the Bank of Japan's Tankan survey announced on April 1, 2022, the software investment plan for 2022 (total for all industries and enterprises of all sizes) continued to show an upward trend with a 7.4% year-on-year increase.

For our group as well, the progress in fields such as Artificial Intelligence (AI), Internet of Things (IoT), and Robotic Process Automation (RPA, the automation and efficiency enhancement of tasks using software robots) have led to increased opportunities to enter new businesses and the expansion of business scope.

Under the COVID-19 crisis, the need for strengthening measures for cyber security and improving the efficiency of working styles further increased, and this provided a tailwind for our group, which has effective solutions for these issues.

Under such conditions, the DIT Group formulated the following five business strategies, and continues to take proactive measures to achieve them.

- Renovation (Expand and stabilize business foundation through reform of existing businesses)
- Innovation (Create new value centered on in-house products)
- Shift from competition to collaboration (Expand business through cooperative efforts)
- Shift from development to services (Expand business from service-oriented perspective)
- Secure and develop human assets (Hire and train personnel)

In addition, on August 20, 2021, we announced the new medium-term management plan and the DIT Group's vision for 2030. In the 2030 Vision, we have set the DIT's future vision (DIT Services: providing a higher level of value, DIT Spirits: a group of professionals) to build a "Trusted and Chosen DIT Brand, and also set the following management targets as the "Challenge 500(\*)".



### Management Targets

	Medium-term management targets by FY6/30	
	Organic growth	+ New businesses, M&A, etc.
Net sales	30 billion yen or more	500 billion yen
Operating Income	4 billion yen or more	5 billion yen

(\*) Challenge 500

Targeting 50 billion yen sales toward FY6/30!

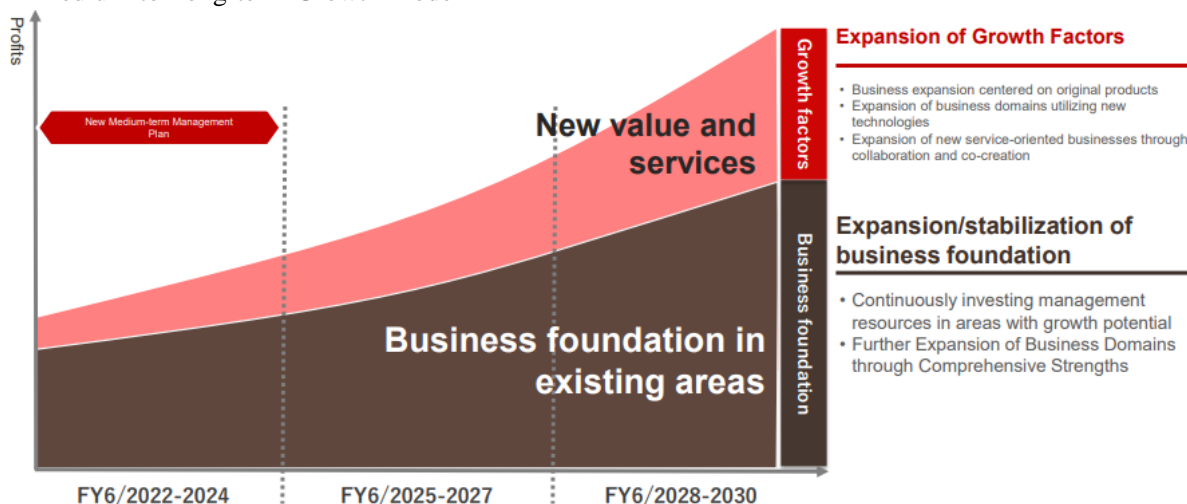
As a step toward achieving this 2030 Vision, we set the period from FY6/22 to FY6/24 as the period for "promoting business structural improvement" to build up business capabilities by promoting the creation of a company and structure that will enable the next growth. We also set the period from FY6/25 to FY6/27 as the period for "achieving a growth trajectory" to establish a business style and put the overall business on a growth track, and the period from FY6/28 to FY6/30 as the period for "establishing the DIT brand", that is trusted and chosen by all stakeholders.



During FY6/22, the first year of the current medium-term management plan, DIT has promoted our business with focusing on the two axes: "expand and stabilize the business foundation" and "expand growth factors."

With regard to "expand and stabilize the business foundation," the overall business showed strong growth as we allocated resources appropriately to high-demand markets in both the Business Solutions business and the Embedded Solutions business, which offset the slump in the System Sales business. In terms of "expand growth factors", DIT achieved steady growth as a result of ongoing efforts to enhance product appeal and strengthen sales of WebARGUS<sup>1</sup>, an original product built on proprietary technology, and xoBlos<sup>2</sup>, an innovation platform for Microsoft Excel users.

### Medium-to Long-term Growth Model



As mentioned above, the business itself performed steadily, as in the previous fiscal year. However, due to an increase in personnel expenses and recruitment expenses as a result of business expansion, and the refund of taxes and public charges in the first quarter of the previous fiscal year, SG&A expenses increased by 164,501 thousand yen compared to the previous fiscal year, resulting in a slow growth in profits.

In the third quarter of the current fiscal year, the Company posted record-high net sales and operating income, with net sales of 4,255 million yen (up 12.8% year-on-year) and operating income of 635 million yen (up 9.5%).

As a result, net sales in the subject third quarter cumulative period amounted to 11,940,846 thousand yen (up 10.2% year-on-year), with operating income of 1,608,433 thousand yen (up 7.8%), ordinary income of 1,618,434 thousand yen (up 8.1%), and profit attributable to owners of parent of 1,128,535 thousand yen (up 9.0%).

- (\*1) WebARGUS is a new type of website security solution that detects the tampering of websites as it occurs, and immediately restores the site to its original state. Instant detection and restoration protect corporate and other websites from malicious, unknown cyber-attacks, while at the same time prevents the escalation of the damage, such as viruses spreading via the tampered website.
- (\*2) xOBlos is an innovation platform for Excel to automate inefficient Excel-based tasks, allowing for dramatic improvements in efficiency in a short period. (Excel® is a registered trademark in the U.S. and other countries by the U.S. Microsoft Corporation)

Results by segment are as follows.

Of note, figures for sales by segment and segment income (operating income) are prior to offsets for intracompany transactions.

#### ① Software Development Business

In the Business Solutions Unit (business system development and operation support), sales and profits grew steadily even under the COVID-19 crisis thanks to the success of the business portfolio review that we have been promoting.

Operation support services have grown remarkably over the past few years, but in the current fiscal year, our core business system development services grew significantly.

In business system development, sales from the mainstay financial services sector remained almost flat due to job rotation by division, mainly for long-term workers. Meanwhile, sales from the pharmaceutical sector grew significantly, while the acquisition of telecommunications, manufacturing, and ERP-related projects progressed more than expected. As a result, sales and profits grew significantly.

In operation support, sales and profits both increased year-on-year as we steadily responded to needs for cloud infrastructure building and other services, despite some impacts from business reforms at our mainstay customers.

In the Embedded Solutions Unit (embedded systems development and embedded systems verification), sales and profits grew steadily even under the COVID-19 crisis. This was attributable to the fact that semiconductor-related sales grew significantly and verification operations further expanded.

In embedded systems development, IoT-related sales, including those related to mobile devices and consumer electronics, remained at the same level as the previous year, but automobile-related sales, including mainstay semiconductors, started to show growth. As a result, both sales and profits were significantly higher than the previous year.

In embedded system verification, sales and profits both increased significantly year-on-year as sales of automotive-related verification services grew significantly, while sales of 5G-related services (mobile devices and base stations) grew, and medical-related services also grew significantly.

In both the Business Solutions and Embedded Solutions units, the majority of work continued to be done via remote work, but we were able to keep this to a level that did not have a significant impact on our business.

In the Original Product Unit, we were able to exceed the previous year results despite the remaining restrictions on business negotiations due to COVID-19.

In the cyber security business, we posted solid growth in both sales and profits due to the accumulation of licensing sales of WebARGUS. We worked to expand sales of total security services (DIT Security) with WebARGUS as its core through increasing the lineup of these products and collaboration with an external cyber security specialist (F-Secure Corporation and SSH Communications Security).

In the business efficiency improvement business, while it was difficult to acquire new customers due to COVID-19, we were able to increase both sales and profits by promoting the horizontal development to other departments of existing customers. In addition, we worked to strengthen product appeal by expanding linkage functions with various systems, such as RPA and ERP to expand sales.

There has been a gradual increase in inquiries for DD-CONNECT, an electronic contract outsourcing service that responds to the new normal society caused by the COVID-19 disaster, and we received orders from major companies, etc.

On September 15, 2021, we launched “shield cms”, a website creation platform that combines safety and flexibility in preparation, as our original product.

The lineup of our original products is gradually increasing, and we will continue to work to expand sales.

As a result, net sales in the Software Development business amounted to 11,488,533 thousand yen (up 10.8% year-on-year), with operating income of 1,556,026 thousand yen (up 7.3%).

## ② System Sales Business

The main product of the System Sales segment is “Rakuichi,” an operations and management support system for small and medium-sized enterprises manufactured by Casio Computer Co., Ltd. Since this is a product that is mainly sold face-to-face, it was affected by the COVID-19 crisis, resulting in a decrease in sales year-on-year. However, segment profit was remained the same level as the previous year reflecting the reduced SG&A expenses.

As a result, net sales in the System Sales business amounted to 467,048 thousand yen (down 5.0% year-on-year), with segment income (operating income) of 52,362 thousand yen (up 2.6%).

## (2) Explanation of Financial Position

The status of assets, liabilities, and net assets in the end of the subject third quarter cumulative period is as follows.

### ① Current Assets

Current assets amounted to 6,541,683 thousand yen at the end of the third quarter, an increase of 877,487 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 318,164 thousand yen in cash and deposits and 540,880 thousand yen in accounts receivable - trade, and contract assets, and a decrease of 62,863 thousand yen in work in process.

### ② Noncurrent Assets

Noncurrent assets amounted to 596,990 thousand yen at the end of the first quarter, a decrease of 127,347 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 34,964 thousand yen in property, plant and equipment, and decreases of 2,664 thousand yen in intangible fixed assets and 159,646 million yen in investments and other assets.

### ③ Current Liabilities

Current liabilities amounted to 1,758,783 thousand yen at the end of the third quarter, an increase of 8,133 thousand yen compared to the end of the previous fiscal year. This was due mainly to increases of 134,330 thousand yen in accounts payable-trade and 161,295 thousand yen in provision for bonuses, and increases of 71,634 thousand yen in income taxes payable and 216,198 thousand yen in other.

### ④ Noncurrent Liabilities

Noncurrent liabilities amounted to 159,918 thousand yen at the end of the third quarter, an increase of 48,754 thousand yen compared to the end of the previous fiscal year. This was mainly due to increases of 20,902 thousand yen in provision for share based remuneration and 27,032 thousand yen in other.

### ⑤ Net Assets

Net assets amounted to 5,219,970 thousand yen at the end of the third quarter, an increase of 693,251 thousand yen compared to the end of the previous fiscal year. This was due mainly to an increase of 694,737 thousand yen in retained earnings.

## (3) Explanation of Results Forecasts and Other Future Predictions

We have revised the consolidated full-year business forecasts on May 13, 2022. For details, please refer to the "Notice of Revisions to Business Forecasts and Dividend Forecasts" announced on the same day.

## (4) Other Matters to be Reported

### Transition to a New Market Segment, "Prime Market"

At the Board of Directors meeting held on December 13, 2021, we resolved to apply for the "prime market" as a new market segment scheduled for transition to April 4, 2022. With this, as stated in the "Results of Selection of New Market Segment" published by the Tokyo Stock Exchange on January 11, 2022, our company was transferred to the "prime market" on April 4, 2022.

We will strive to achieve sustainable growth and increase corporate value over the medium to long term through initiatives aimed at realizing “DIT 2030 Vision”, while maintaining a high level of governance so that we can meet the expectations of our stockholders as a company suited to the Prime Market, the top-tier market.

## 2. Consolidated Quarterly Financial Statements and Major Notes

### (1) Consolidated Quarterly Balance Sheets

(Thousand yen)

	FY6/21 (June 30, 2021)	3Q FY6/22 (March 31, 2022)
<b>ASSETS</b>		
Current assets		
Cash and deposits	3,333,158	3,651,322
Notes and accounts receivable - trade	2,084,985	-
Trade and contract assets	-	2,625,865
Merchandise	15,550	65,908
Work in process	131,693	68,830
Other, net	99,025	129,955
Allowance for doubtful accounts	-217	-198
Total current assets	5,664,195	6,541,683
Noncurrent assets		
Property, plant and equipment:	110,096	145,060
Intangible assets	15,916	13,251
Investments and other assets		
Other, net	631,090	471,392
Allowance for doubtful accounts	-32,765	-32,714
Total investments and other assets	598,325	438,678
Total noncurrent assets	724,337	596,990
Total assets	6,388,533	7,138,673
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable-trade	487,519	621,850
Income taxes payable	367,757	296,123
Provision for bonuses	-	161,295
Provision for loss on order received	-	340
Other, net	895,372	679,174
Total current liabilities	1,750,650	1,758,783
Noncurrent liabilities		
Retirement benefit liability	5,933	6,752
Provision for share based remuneration	74,320	95,222
Other, net	30,910	57,943
Total noncurrent liabilities	111,164	159,918
Total liabilities	1,861,814	1,918,702
<b>NET ASSETS</b>		
Shareholders' equity		
Capital	453,156	453,156
Capital surplus	459,214	459,214
Retained earnings	3,949,586	4,644,324
Treasury stock	-347,191	-347,294
Total shareholders' equity	4,514,765	5,209,400
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	8,010	-3,120
Foreign currency translation adjustments	3,942	13,691
Total accumulated other comprehensive income	11,953	10,570
Total net assets	4,526,718	5,219,970
Total liabilities and net assets	6,388,533	7,138,673



(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income  
(Consolidated Quarterly Statements of Income)  
(Third Quarter Cumulative)

(Thousand yen)

	3Q FY6/21 (July 1, 2020 to March 31, 2021)	3Q FY6/22 (July 1, 2021 to March 31, 2022)
Net sales	10,837,152	11,940,846
Cost of Sales	8,062,413	8,885,910
Gross profit	2,774,739	3,054,935
Selling, general and administrative expenses	1,282,000	1,446,502
Operating Income	1,492,738	1,608,433
Non-operating income		
Interest income	262	260
Dividend income	159	159
Commission fee	2,643	1,039
Subsidy income	3,213	8,501
Insurance premiums refunded cancellation	1,099	-
Gain on forfeiture of unclaimed dividends	1,198	1,474
Other, net	366	428
Total non-operating income	8,944	11,863
Non-operating expenses		
Interest expenses	321	202
Loss on insurance cancellation	1,343	-
Foreign exchange losses	2,485	1,660
Other, net	845	-
Total non-operating expenses	4,996	1,862
Ordinary Income	1,496,687	1,618,434
Net income before income taxes	1,496,687	1,618,434
Income taxes - current	513,627	538,264
Income taxes - deferred	-52,764	-48,364
Total income taxes	460,862	489,899
Net income	1,035,824	1,128,535
Profit attributable to owners of parent	1,035,824	1,128,535

(Consolidated Quarterly Statements of Comprehensive Income)  
(Third Quarter Cumulative)

(Thousand yen)

	3Q FY6/21 (July 1, 2020 to March 31, 2021)	3Q FY6/22 (July 1, 2021 to March 31, 2022)
Net income	1,035,824	1,128,535
Accumulated other comprehensive income		
Valuation difference on available- for-sale securities	-7,979	-11,131
Foreign currency translation adjustments	1,890	9,748
Total other comprehensive income	-6,089	-1,383
Comprehensive income	1,029,734	1,127,151
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,029,734	1,127,151

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Regarding Going-Concern Assumption)

Not applicable.

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Segment Information

I 3Q FY6/21 (July 1, 2020 to March 31, 2021)

1. Information Relating to the Amounts of Net Sales, Profit, and Loss

(Thousand yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Software Development Business	System Sales Business	Total		
Net sales					
Net sales to outside customers	10,357,262	479,890	10,837,152	-	10,837,152
Intrasegment net sales and transfers	8,043	11,920	19,964	-19,964	-
Total	10,365,306	491,810	10,857,116	-19,964	10,837,152
Segment income (loss)	1,449,632	51,037	1,500,670	-7,931	1,492,738

(Notes) 1. Adjustment to segment income of -7,931 thousand yen is mainly intersegment eliminations.

2. Segment income is adjusted with operating income in the consolidated quarterly statements of income.

II 3Q FY6/22 (July 1, 2021 to March 31, 2022)

1. Information Relating to the Amounts of Net Sales, Profit, and Loss

(Thousand yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Software Development Business	System Sales Business	Total		
Net sales					
Net sales to outside customers	11,486,358	454,488	11,940,846	-	11,940,846
Intrasegment net sales and transfers	2,175	12,560	14,735	-14,735	-
Total	11,488,533	467,048	11,955,582	-14,735	11,940,846
Segment income (loss)	1,556,026	52,362	1,608,388	45	1,608,433

(Notes) 1. Adjustment to segment income of 45 thousand yen is mainly intersegment eliminations.

2. Segment income is adjusted with operating income in the consolidated quarterly statements of income.